

NWDS Announces its Remarkable Annual Results

Revenue rose 31% to HK\$ 982.2 million
Net Profit surged 91.8% to HK\$ 302.8 million

7 new stores opened in the financial year and
5 more in the pipeline

FINANCIAL HIGHLIGHTS

(HK\$ '000)	FY 2007	FY 2006	Change
Revenue	982,161	749,861	31%
Operating profit	353,911	171,947	105.9%
Operating profit margin	36.0%	22.9%	13.1 percentage points
Net Profit ⁽¹⁾	302,765	157,938	91.8%
Net profit margin	30.8%	21.1%	9.7 percentage points

(1) Net Profit is equivalent to Profit attributable to equity holders

(10 October 2007 – Hong Kong) **New World Department Store China Limited** (“NWDS” or the “Company”; Hong Kong stock code: 0825), one of the largest owners and operators of department stores in the PRC, announces today its remarkable annual results for the year ended 30 June 2007.

The Company’s revenue for the year under review rose 31% to HK\$982.2 million (FY 2006: HK\$749.9 million). Profit attributable to equity holders surged 91.8% to HK\$302.8 million (FY 2006: HK\$157.9 million). The strong performance was mainly attributable to the increase of commission income from concessionaire sales, sales of goods for direct sales and management consultancy fees, with a growth of 22.7%, 34.5% and 139.6% respectively. This was partly due to a special gain of HK\$58 million after the disposal of three department stores in Dalian, Ningbo and Kunming. Without the special gain, the net profit would still be increased by 55% to HK\$244.8 million.

Gross sales revenue, comprising gross revenue from concessionaire sales and sales of goods for direct sales, increased by 24.7% to HK\$3,693.5 million for the year ended 30 June 2007 (FY 2006: HK\$2,962.2 million). The strong growth was driven by three factors, including the increase in “Same Store Sales” by 16.5% for stores with operations for more than three years; the recognition of a full-year revenue by certain stores opened in the previous financial year; as well as the revenue contribution by new stores opened in the year under review.

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The Company's commission income rate was 21.2% for the year under review, while its management consultancy fees increased by 139.6% to HK\$106.4 million. The surge of management consultancy fee was mainly due to the opening of five managed stores and three stores being transformed from self-owned stores to managed stores.

The booming economy of Mainland China provides a wealth of opportunities for the Company. In the first half of 2007, its GDP rose 11.5% to RMB10,676.8 billion and the disposable income per capita of urban citizens also increased by 14.2%. Over the decades, such economic growth facilitated the emergence of a prosperous retail industry.

Capturing the flourishing retail industry, the Company is rapidly expanding its business in regions with high consumption power. During the year under review, seven stores were opened in Beijing, Shanghai, Wuhan, Chongqing, Chengdu, Chengsha and Xiamen. The new stores raised the Company's retail gross floor area (GFA) by 31% to 817,000 sq. m. (FY 2006: 565,100 sq. m.). In September 2007, the Company opened another store in Pudong of Shanghai. Towards the end of this year, two more stores will be opened in Wuhan and Anshan. The Company is also going to open another Beijing store in the Olympic year, 2008. These new stores, together with the expansion of Shanghai Hongkou Store by a GFA of 4,100 sq. m., will contribute an additional GFA of 167,100 sq. m. to the Company. By the end of 2008, the Company will have a total of 32 stores. Its store network will cover a total of 17 major cities.

Commenting on the first annual results since listing, Mr. Adrian Cheng, Executive Director of NWDS, said, "We are pleased to report our first annual results with such a robust growth. It proves the success of our business model in developing a nationwide network and large scale operations in prime locations. Coupled with our expertise in department store management and our exceptional VIP program, the Company is poised to be a leading owner and operator of China's department store industry."

Mr. Philip Cheung, Executive Director and Managing Director of NWDS, added, "Looking ahead, the Company will continue its strategic expansion plan in prime locations with mid- to high-income individuals and families as our target customers. Backed by our close relationship with concessionaires and suppliers, we are also actively looking for potential markets for further expansion through organic growth and acquisitions. We are confident that our strategic expansion, strong customer base, complemented by our effective cost control mechanism, will continue to maximize our shareholder value."

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